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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 8 December 1977 CG NIDC 77/284C

NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Thursday 8 December 1977

The NID Cable is for the purpose of informing senior US officials.

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Yugoslavia

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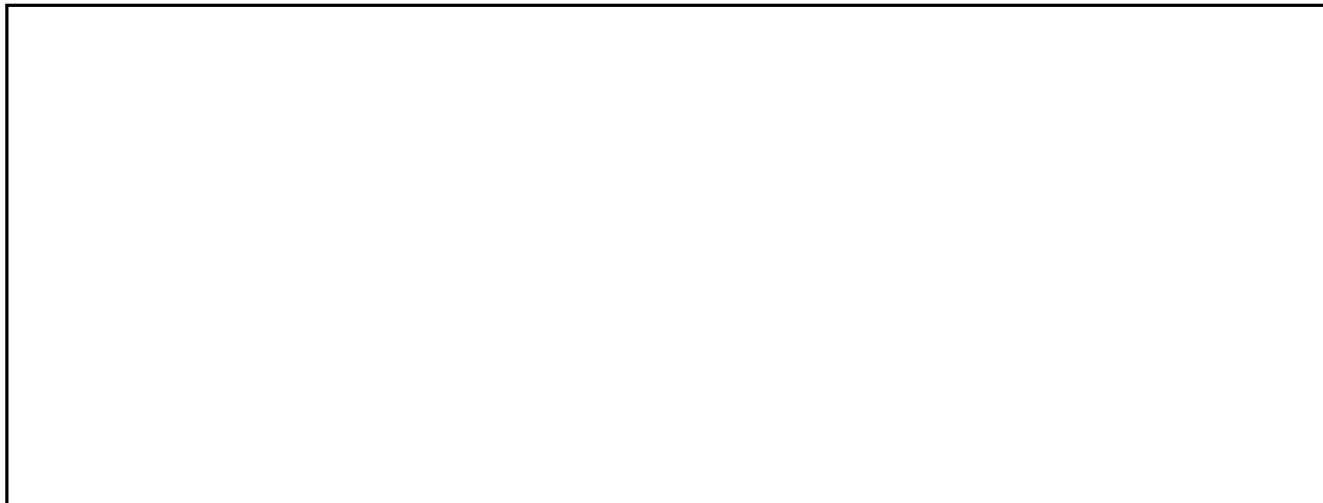
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WEST BANK: Opinion on Sadat's Plan

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 Egyptian President Sadat has been unable to get West Bank and Gaza Palestinian leaders to endorse his peace initiatives publicly, despite significant support for his efforts among Palestinians living in the occupied territories. The local leaders want to avoid further divisions in the Palestinian movement, and they are skeptical about Israel's willingness to withdraw to its 1967 borders.

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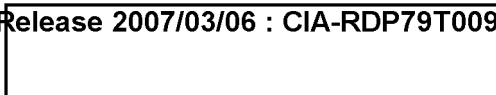
 Egyptian officials have asked representatives from Gaza and the West Bank to visit Cairo to discuss Sadat's initiative, but no major figure has accepted. We have no evidence that Egypt has formally invited any West Bank representatives to the proposed Cairo conference.

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25X1 [] A few conservative West Bank leaders, notably Bethlehem Mayor Ilyas Frayj who met with Sadat in Jerusalem, have commented favorably on Sadat's policy. []

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25X1 [] Before Sadat's arrival in Jerusalem, many West Bank notables received threats, presumably from Fatah sympathizers, warning them not to meet with the Egyptian President. Some low-level representatives from Gaza and the Sinai will visit Cairo soon, however, according to press reports from Egypt and Israel.

25X1 [] //There is substantial popular sentiment in favor of Sadat's initiatives. Palestinians in the occupied territories were initially skeptical about Sadat's trip to Israel but approved of his firm statement of the Arab cause to the Knesset. Many are now supporting Sadat and criticizing Syria.//

25X1 [] //Sadat's initiatives have given rise to unrealistic popular expectations among the Palestinians of an easy peace settlement that will end the Israeli occupation. Even among the usually more radical student population large numbers are enthusiastically backing Sadat. This feeling could rapidly evaporate if the Cairo conference does not produce forward movement on the West Bank question.// []

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EGYPT-USSR: Expulsion Reaction

25X1 [] *The Soviets have thus far not reacted to Egyptian President Sadat's move yesterday to close their consulates and cultural centers.*

25X1 [] Moscow realizes, however, that the Egyptian President has issued a strong warning and that Soviet-Egyptian relations are continuing to deteriorate. Presumably the Soviets believe that if they do not moderate their attacks against Sadat, they may face another, more serious expulsion order.

25X1 [] The Egyptian Government's announcement ordered the USSR, Hungary, Poland, East Germany, and Czechoslovakia to close all their cultural centers and all consulates outside Cairo. The directive--issued by Prime Minister Salim before the parliament--accused all five Communist countries of using their facilities to interfere in Egypt's internal affairs and charged that their condemnation of Egypt's recent peace initiative had gone far beyond a mere rejection.

25X1 [] In contrast to the relatively mild language in Salim's statement, the Egyptian press excoriated the USSR in what US Embassy officials describe as the most severe attacks on Moscow in the past two years. []

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SPAIN: Munciple Elections

25X1 [] *Spanish Prime Minister Suarez has moved with typical adroitness to strengthen his hold over the Union of the Democratic Center, the political coalition he heads. In compelling the Center's constituent parties to give up their separate identities, he is looking toward municipal elections in which his party will compete against Spain's formidable Socialist party. His move last week may foreshadow a minor cabinet shuffle that could include the replacement of the Minister of Labor. If Suarez makes such a change, he may be able to ease differences between the government and the left over a round of trade union elections coming soon and thereby further enhance his image.*

25X1 [] The Center's constituent parties agreed after the parliamentary election in June to merge into a single party. The change, however, did not come about, and rumors began that the Center was split three ways among Christian Democrats, liberals, and social democrats.

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[] The Spanish public and media, long used to monochromatic political organizations, have been visibly uncomfortable with the diverse ideological makeup of Suarez' alliance, and the public has never been confident that the Center could pull itself together enough to contest the municipal elections effectively.

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[] Factionalism, in fact, apparently did hamper Suarez' efforts to weld a cohesive political organization. Mainly because the Center was not united the government has failed to set a date for the municipal elections. Suarez bided his time until he believed he was in a position to force his allies to abandon some of their divisive personal ambitions. Last week he got nearly all of the dozen-odd factions that make up the Center to dissolve their party structures and drop their party labels.

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[] Only one faction--the tiny liberal party headed by former minister Camunas--opposed the merger, and it has already begun to backpedal. The more important Christian Democratic faction of parliamentary president Aarez de Miranda, which represents the left wing of the Suarez coalition, has withheld support pending a vote by its leadership. According to sources of the US Embassy, however, most of its members will accept the merger. Other leaders of factions which had opposed unification earlier this year came out firmly in favor of Suarez' initiative.

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[] Personal ambition, Spanish individualism, and a desire on the part of left-of-center leaders to avoid submersion in an essentially centrist coalition encouraged faction leaders to resist dissolution of their groups, but in the end they could not avoid recognizing that the coalitions role in government and its electoral strength derive from the strong leadership of Suarez and his consistently impressive performances. The only alternative for most factions would be to disappear into the political wilderness.

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[] Having strengthened his party base, Suarez may now feel confident enough to hold the long-promised municipal elections--possibly as early as the spring. Socialist and Communist leaders are becoming increasingly insistent on this issue. Leftists point to the continued dominance of municipal officials appointed under Franco as the cause of persistent public order problems. They say that incidents like the rioting in Malaga--where officials apparently refused to allow proautonomy demonstrators to fly the Andalusian flag--will cease when cities are run by democratically elected officials.

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[REDACTED] The unification of the Center will also clear the decks for a widely anticipated, although modest, cabinet shuffle. The most likely candidate for replacement is Labor Minister Jimenez de Parga, who is unpopular among the Socialists and their labor union supporters. Suarez may make a few other changes by removing less important ministers who have not measured up to their jobs.

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[REDACTED] By removing Jimenez de Parga, Suarez could help to smooth the path to trade union elections on the plant level early in the new year and remove yet another irritant in relations between the government and the leftist opposition. [REDACTED]

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FINLAND: Economic Negotiations

[redacted] //The Finnish Government, in the final stages of negotiations with national labor organizations over an economic program, could collapse unless a compromise is

found.// President Kekkonen, whose reelection next month is virtually certain, is likely to arrange a stop-gap solution.

25X1 []//The economic package originally included currency devaluation and a wage freeze. The Communist-dominated unions refused the wage freeze proposals. The Social Democrats--the largest member of the five-party governing coalition--threatened to withdraw if devaluation were dropped. Prime Minister Sorsa reportedly now has reopened negotiations with a new government compromise proposal.//

25X1 [] Devaluation has been the subject of speculation since August when Finland failed to match the 10-percent devaluation by Sweden, its most important trade partner.

25X1 [] Kekkonen has good reason and sufficient power to intervene in the situation should the coalition fail to reach agreement. He formed the multi-party government in May in order to assure broad backing for the unpopular economic measures needed for economic stability.//

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CHINA: Steel Industry Expansion

25X1 []//The Chinese are beginning an expansion program to increase steel production. They are counting on Japanese assistance and technology [] and are seeking mining and drilling equipment from the US and other Western countries to upgrade the ore mining industry, a prerequisite to any significant increase in steel production.//

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25X1 [] While China's steel production may reach the previous high of 26 million tons this year, it is not likely to meet its goal. During years of declining production--1970 and 1976, for example--China had to increase steel imports.

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25X1 []//China also plans to construct a 6-million-ton steel combine in 1980. Japanese assistance and technology is likely to be used for this project, estimated to cost \$3 billion.//

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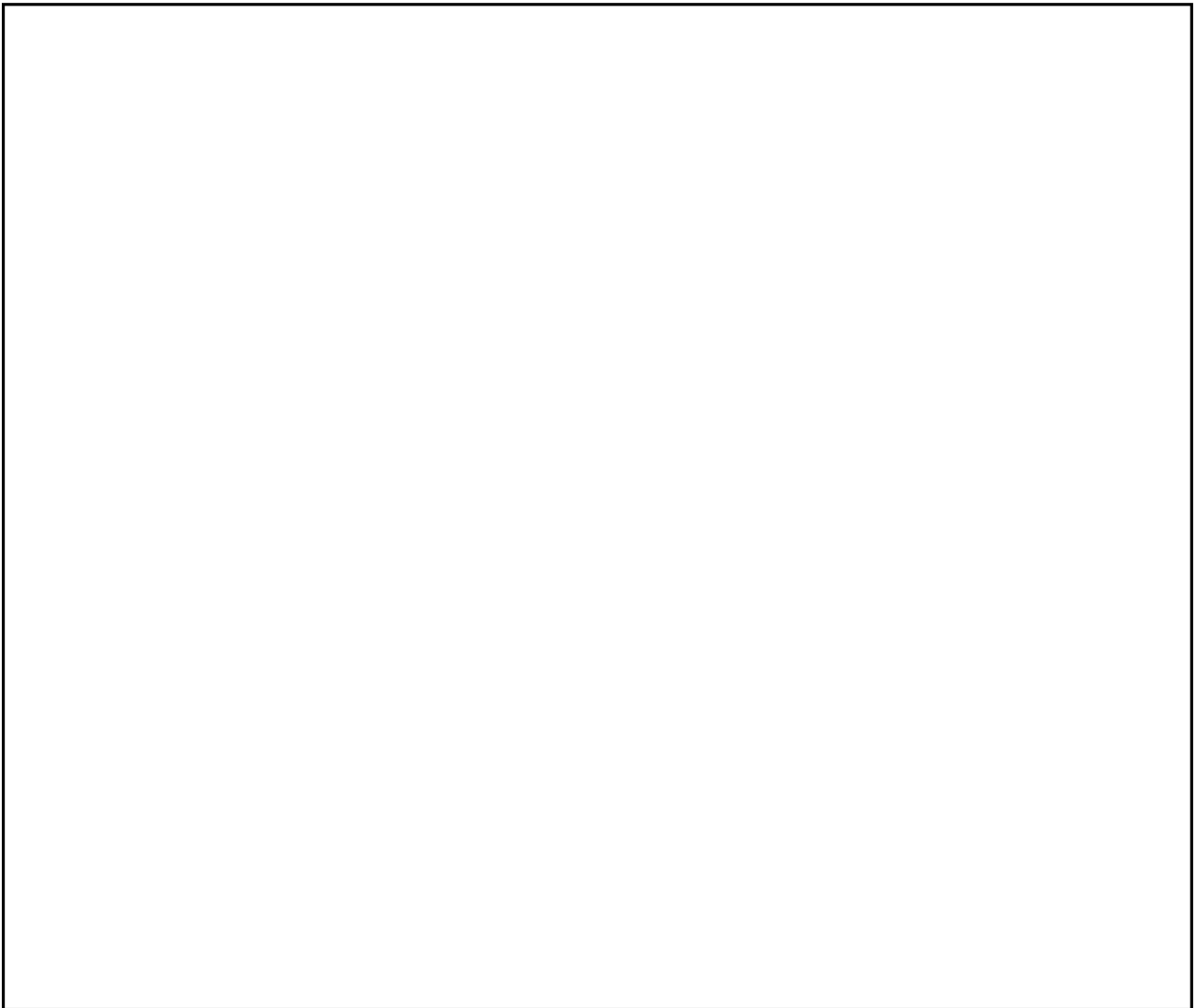
[] Any significant increase in steel production will require major investment in domestic ore extraction. The Chinese have been seeking mining and drilling equipment from Western countries, including the US. Some contracts for mining equipment have been concluded.

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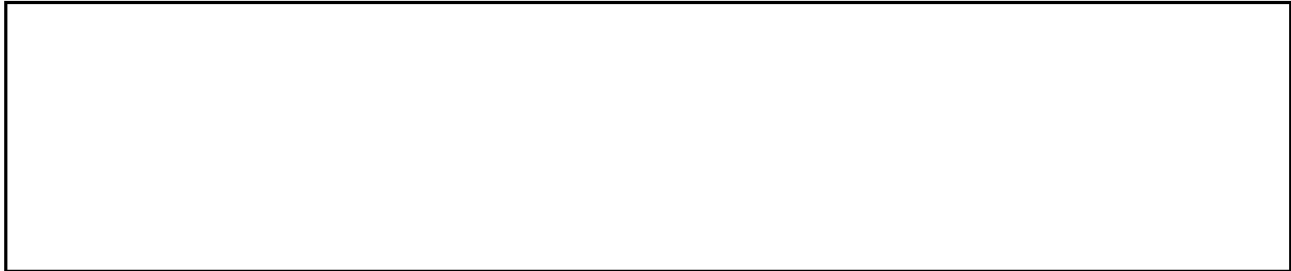
[] An expansion project at Wuhan was started in 1975 with Japanese and West German assistance. When complete, sometime in 1978, the project will add 3 million tons of steel finishing capacity. []

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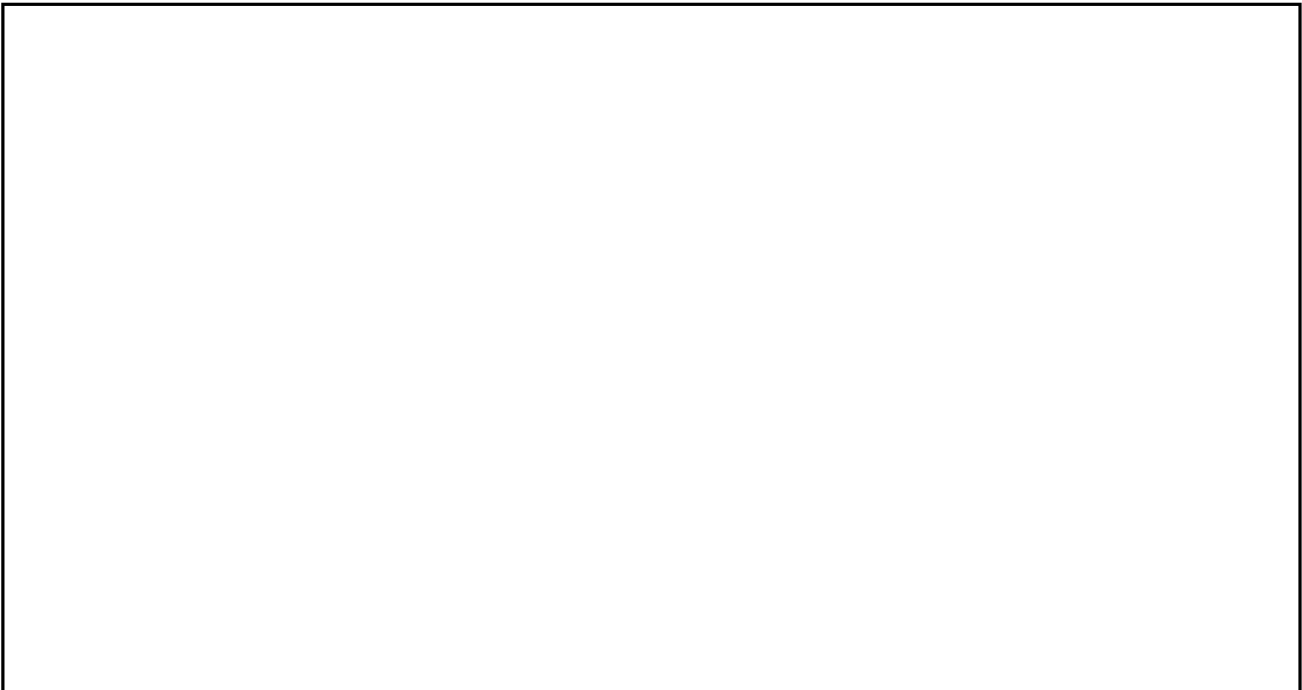


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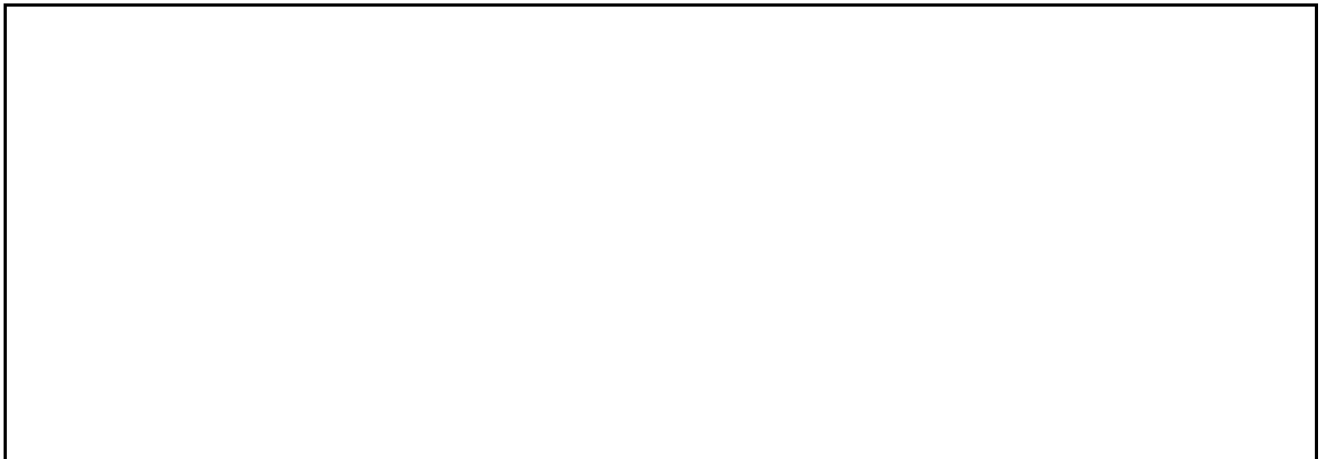


BRIEFS

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[REDACTED]

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Yugoslavia

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[REDACTED] Edvard Kardelj, the leader most Yugoslavs expect to take over when President Tito dies, has been hospitalized since Sunday with a blood clot in his leg. According to a press release yesterday, Kardelj is responding well to treatment but will remain in the hospital for a few more days.

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[REDACTED] This is Kardelj's third serious medical problem in four years. [REDACTED]

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[REDACTED] Earlier this year Kardelj returned to an active political role and in effect reestablished his claim to succeed Tito. If all is going as well as the Yugoslavs assert, Kardelj should return to full activity before too long. [REDACTED]

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[REDACTED]

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